

Case No.: 2005-00174
Questions From: Christian County Water District – September 9, 2005
Response from: Hopkinsville Water Environment Authority
Sponsoring Witness: Jennings Rowe McKinley II

DATA REQUEST NO. 28.

Refer to Table 14 of the Black & Veatch study. What is “all other” on line 9?

RESPONSE:

Please see HWEA’s Response to Commission Information Request No. 12a.

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DATA REQUEST NO. 29.

If the rate to CCWD were calculated based on the cost of service principles described in the Black & Veatch study and not on local policy and a 1.3 times factor over retail rates, what would the wholesale rate be? Provide all assumptions and calculations.

RESPONSE:

Please see HWEA's Response to CCWD Data Request No. 17 and page 38 of the B&V Report.

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Questions From: Christian County Water District – September 9, 2005
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Sponsoring Witness: Lennis Franklin Hale

DATA REQUEST NO. 30.

Refer to the testimony of Len Hale, page 3, line 17. If the Lake Barkley Line has not been installed, why is it necessary to raise rates now to cover increased operation and maintenance costs of that Line

RESPONSE:

The wholesale rate increase was initiated by the issuance of Series 2005A Bonds for the purpose of constructing the Lake Barkley Raw Water Project. The timing of the rate increase was to coincide with the first year of full debt service on these Bonds which is FY 2006.

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DATA REQUEST NO. 31.

Refer to the testimony of Jennings Rowe McKinley II, page 6, line 17. What is the additional refunding bond and how is it related to service to CCWD?

RESPONSE:

Please see HWEA's Response to Commission Information Request No. 9c. Any change in debt service is allocated to all customers in proportion to the allocation of capital related costs.

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DATA REQUEST NO. 32.

Refer to page 6 of Mr. McKinley’s testimony, line 20. Explain the combined coverage test. How can the actual coverage for the water system be determined if it is based on the combined net income of both?

- a. Is it possible to determine the debt service coverage for the water system only?

RESPONSE:

The Revenue Bond Ordinances, which establish the manner in which HWEA computes both the annual debt service coverage test and the parity bond debt service coverage test for its water and sewer revenue bonds, provide for use of a “combined” coverage test. This means that the net operating income of the water utility plus the net operating income of the sewer utility are added together and divided by the applicable total debt service for the two utilities combined for purposes of computing debt service coverage. This is not an uncommon practice for municipal utilities which operate both a water utility and a sewer utility. Also, like many utilities with combined utility coverage tests, HWEA strives to maintain independence in terms of each of the two utilities meeting their own, individual debt service coverage requirements. That is, the goal is to have each of the two utilities individually meet the debt service coverage requirements associated with their own debt costs.

Table 11 of the B&V Report shows the annual debt service coverage calculation for the water utility on Lines 1-5.

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Refer to page 6 of Mr. McKinley’s testimony, line 20. Explain the combined coverage test. How can the actual coverage for the water system be determined if it is based on the combined net income of both?

b. If yes, what is it?

RESPONSE:

Please see HWEA’s Response to CCWD Data Request No. 32a.

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DATA REQUEST NO. 32.

Refer to page 6 of Mr. McKinley's testimony, line 20. Explain the combined coverage test. How can the actual coverage for the water system be determined if it is based on the combined net income of both?

c. If not, how did you determine that the coverage is not being skewed by the sewer operations?

RESPONSE:

As shown in Table 11 of the B&V Report, the water utility is expected to meet the targeted annual debt service coverage of 125% beginning in FY 2007.

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DATA REQUEST NO. 33.

Refer to page 6 of Mr. Kinley’s testimony, line 22. If 2006 is the test year, are you proposing rates based on historical data, or a future test year? Explain.

RESPONSE:

FY 2006 was chosen as the test year because it represents the first year of full debt service related to the proposed Bond issue and other revenue requirements.

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DATA REQUEST NO. 34.

Refer to page 8 of Mr. McKinley's testimony, line 2. Are the amounts on Table 12 actual or allocated between water and sewer?

- a. If allocated, how were they allocated and who made the allocations?

RESPONSE:

The amounts in Table 12 of the B&V Report reflect the water utility's revenue requirements for FY 2006.

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DATA REQUEST NO. 35.

Refer to page 9 of Mr. McKinley's testimony, line 20. How were maximum day and maximum hour demands determined?

RESPONSE:

Please see HWEA's Responses to Commission Information Request Nos. 13a. and 13b.

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DATA REQUEST NO. 36.

Refer to page 10 of Mr. McKinley’s testimony, line 10. If costs associated with meters, services and hydrants are “specifically excluded” from CCWD’s rate, how are they excluded if that rate is a multiplier of the retail rate by 1.3?

a. Are not those items included in the calculation of the retail rate and as such included in the wholesale rate, which is merely 1.3 times that retail rate?

RESPONSE:

The cost of service developed for the CCWD does not include costs associated with meters, services, and hydrants. Please see HWEA’s Response to CCWD Data Request No. 17 for an explanation of the development of the proposed rates for the CCWD. The proposed schedule of rates for the CCWD recovers the allocated cost of service.

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DATA REQUEST NO. 37.

Refer to page 10 of Mr. McKinley's testimony, line 19. Will CCWD's contractual 2.0 mgd increase as a result of the installation of the new raw water main?

RESPONSE:

The installation of the new raw water main will not change the CCWD's contractual capacity of 2.0 mgd.

